



# Banking & Insurance Quarterly

Information for New Jersey's Banking, Insurance and Real Estate Industries

## GOVERNOR OFFERS AUTO INSURANCE REFORM PROPOSALS

Governor James E. McGreevey called for bringing more competition and greater consumer protection to the auto insurance market in his January 14 State of the State Address, where he vowed "to make the regulatory road smoother."

The Governor unveiled a legislative and regulatory package that he and Banking and Insurance Commissioner Holly C. Bakke said would attract new carriers and investment capital to the state, which has seen more than two

dozen companies leave over the past decade.

The Governor's proposal came after nearly 10 months of work by the Department of Banking and Insurance and the Auto Working Group, a 30-member panel that included representatives from the insurance industry, agent groups, medical providers, attorneys, and consumer advocates. (One part of this group, the New System Roundtable, continues to discuss long-term issues such as reparations.)

Commissioner Bakke also met with small groups of drivers in private homes across New Jersey, getting their input on how to better protect consumers and arm them with information when they shop for insurance.

Problems in the auto insurance market have escalated in recent months, with most callers to the DOBI hotline inquiring about how to find coverage. "We get more calls today about availability than

*SEE REFORM, PAGE 4*

## DOBI HONORED WITH URTT PROGRAM AWARD

**SAN DIEGO** - New Jersey was recognized during the National Association of Insurance Commissioners' winter meetings in San Diego for successfully implementing all 12 technology-based initiatives in the Uniform Regulation Through Technology (URTT) program.

These technology initiatives dramatically enhance communication and interaction between the nation's insurers and insurance regulators.



Pictured from left are Charles DeStefano, Supervising Administrative Analyst for Information Management Services, Commissioner Holly C. Bakke, Donald Bryan, Director of the Division of Insurance, Richard DeGregory, Applications and Development Project Specialist for IMS, and Joseph Mingo, Director of IMS.

### INDEX

■ Insurance	2-5	■ In the Department	8-10	■ Enforcement	12-14
■ Real Estate	6-7	■ Banking	8, 11	■ Regulation	15

## INDIVIDUAL HEALTH COVERAGE: A NEW PLAN OPTION

Carriers that sell individual health coverage will make available a new limited benefits plan called the “Basic and Essential Health Care Services Plan,” the New Jersey Individual Health Coverage (IHC) Program has announced. Consumers who are residents of New Jersey and not eligible for group coverage or Medicare may apply for this new plan, or any of the standard plans that have been and continue to be available to individuals. The new plan must be offered by all carriers writing individual coverage, and should be available on or about March 1, 2003.

Consumers will need to carefully review the plan to determine whether the plan provides the type and extent of coverage they desire. The benefits included in the new basic plan were designated by the Legislature to provide a more affordable option compared to the five standard individual health coverage plans that provide comprehensive major medical coverage.

In enacting the law January 8, 2002, the Legislature indicated its intent was for individuals to have the option to purchase plans that provide for “reimbursement for basic and essential health care services but do not contain either the traditional mandated benefits to which the standard plans are subject or reimbursement for services which the consumer can more economically pay for himself, rather than having those services paid for through a third-party system, which adds significantly to the cost.”

The plan provides the following basic benefits, which are subject to specific copayments, deductibles and coinsurance: 90 days per year for hospitalization; \$600 per year wellness benefit; \$700 per year benefit for practitioner visits for illness or injury; \$500 per year benefit for

out-of-hospital diagnostic testing; and limited benefits for biologically based mental illnesses, alcohol and substance abuse, and physical therapy.

The plan does not cover certain benefits that some consumers may have come to expect in health plans. For example, the new plan does not provide coverage for chemotherapy, outpatient drugs, pre-natal care, ambulance services, speech and occupational therapy, chiropractic care, home health care, hospice care, or prosthetic devices. These are only some of the benefits that are excluded. Carriers are permitted, but not required, to offer the plan with optional benefit riders that increase the benefits of the plan; such riders would come at an additional cost.

In an attempt to attract more younger consumers and consumers with a better risk profile to the individual market, the Legislature has permitted carriers to rate the new plan using factors for age, gender, and geographic location. In contrast to the existing standard individual plans, which are community rated, the new plan may have premium rates that vary by the factors noted above, but by no more than a 3.5-to-1 ratio. The rates that carriers have filed for the plan to date vary widely by carrier.

Consumers will need to contact carriers directly to determine the premium rate for the plan. A list of the carriers offering the Basic and Essential Health Care Services Plan and the five standard plans, their toll-free numbers, and the community rates for the existing standard plans are published monthly by the IHC Board and are available on the Web at [www.nj.gov/dobi/reform.htm](http://www.nj.gov/dobi/reform.htm) and by calling 1-800-838-0935.

## SMALL EMPLOYER HEALTH COVERAGE RATE GUARANTEES

The Department recently issued Bulletin No. 02-28 which sets forth guidance to carriers with respect to rate guarantees in the small employer market. Insurance producers active in this market should be aware of this bulletin.

The bulletin identified a practice that may have been affecting a carrier's ability to charge appropriate rates for small employer plans. The practice consisted of a small employer purchasing more than one health benefits plan from the same or different carriers at different costs. Under this practice, lower-cost (younger) employees enroll in one plan, and higher-cost (older) employees enroll in another. The employer then terminates the higher-cost coverage, and the employees covered under that plan enroll in the lower-cost plan. The consequence is

that the cost profile of the employees in the remaining plan is significantly greater than is reflected in the originally charged rate.

The bulletin provides guidelines to small group carriers concerning rate changes to a plan after issue so that the new rates more appropriately reflect the risk factors of all the enrollees covered under the plan. These changes would not necessarily be inconsistent with the concept of a rate guarantee. The bulletin discusses various aspects of rate guarantees, and outlines some areas of flexibility for the carrier in the application of a per-employee rate guarantee. Producers may want to familiarize themselves with the nature of each carrier's precise rate guarantee. A copy of the bulletin is on the Department's Web site at: [http://www.state.nj.us/dobi/bulletins/blt02\\_28.pdf](http://www.state.nj.us/dobi/bulletins/blt02_28.pdf).

## DEPARTMENT REVIEWS TERRORISM RISK INSURANCE ACT FILINGS

On November 26, 2002, President George W. Bush signed the federal Terrorism Risk Insurance Act of 2002, mandating U.S. Treasury Department administration of a terrorism reinsurance backstop for all authorized commercial property/casualty insurers.

Under this act, the federal government is responsible for reimbursing insurers on a reinsurance basis for up to \$100 billion annually through 2005 and will pay 90 percent of "insured losses" after an annual deductible is met. Insurance companies are responsible for insured losses within the deductible amount and up to 10 percent of losses in excess of that amount.

The act provides that an event would need to be certified as an "act of terrorism" by the Treasury Secretary. To be certified, an act of terrorism must be committed by individuals acting on behalf of any foreign person or interest where the damage from the event is at least \$5 million.

Insurance companies are required to offer terrorism coverage to their insureds. The National Association of Insurance Commissioners (NAIC) has endorsed terrorism language on filings developed by the Insurance Service Office (ISO) for insurance departments to accept on a use and file basis. Effective December 31, 2002, the New Jersey Department of Banking and Insurance adopted the NAIC Procedures under Bulletin 02-30. This bulletin specifies the coverage that must be offered, provides details with regard to the notification to the insureds and establishes a maximum rate that should be charged for the coverage.

The Property/Casualty Office is in the process of reviewing these submissions for all commercial lines of insurance, including those deregulated lines as specified in the Commercial Deregulation Act as not requiring submission to the Department, for compliance with the Bulletin. If the filings comply with Bulletin 02-30, insurers can request effective dates back to November 26, 2002.

## GOVERNOR OFFERS AUTO INSURANCE REFORM PROPOSALS:

CONTINUED FROM PAGE 1

affordability,” Commissioner Bakke said. “Past efforts at auto insurance reform focused on price. Governor McGreevey is the first chief executive to face a very different problem: drivers who can’t find coverage at any price.”

The Governor’s proposal aims to modernize the regulatory structure that has remained largely unchanged for 30 years. Each layer of regulation has added to the maze that carriers must navigate to survive in New Jersey. “Over the past ten years, Trenton’s bureaucracy ruled with red tape instead of common sense,” Governor McGreevey said in his State of the State Address.

The cornerstones of McGreevey’s proposals are:

- **CUTTING COSTS BY REDUCING FRAUD IN THE SYSTEM**
- **CRACKING DOWN ON UNINSURED MOTORISTS**
- **BRINGING DOWNWARD PRESSURE ON RATES FOR GOOD DRIVERS**
- **INCREASING CONSUMER PROTECTIONS AND OPTIONS**
- **RETIRING THE COSTS OF PAST MISTAKES**
- **MAKING POLICIES MORE READILY AVAILABLE TO CONSUMERS**

“Our auto insurance problem didn’t occur overnight and it won’t be solved overnight,” the Governor said. He called on the Legislature to move quickly to pass a reform package that will bring relief to consumers who now find it can take up to two months to find an auto policy if they are nonrenewed by their carrier.

Elements of the Governor’s reform package were contained in a committee substitute for S-63, sponsored by Sen. Ronald L. Rice, D-Newark. The bill passed the Senate March 20 and now goes to the Assembly. A hearing date had not been scheduled when *Banking & Insurance Quarterly* went to press.

Commissioner Bakke outlined in detail the reform concepts that the Administration is discussing with the Legislature. The proposals include:

### REWARDS FOR INVESTING IN NEW JERSEY

The plan seeks financial incentives for putting more capital into writing auto policies, hiring more agents and adding new offices to serve consumers. Such investments would be treated differently when calculating whether a company has enough profit to trigger a refund for customers. Special financial incentives would be designed to spur more investment and availability of policies in urban areas.

A change in the “lookback” period of the excess profit formula should provide more predictability and a cushion for lean times. Right now, companies that make more than six percent profit over a three-year period must return funds to consumers; the Governor’s proposal would change this to seven years.

“Looking at a company’s financial picture over the duration of the economic cycle will allow some protection from bad investment markets,” Commissioner Bakke said. “This will help prevent the need for large, ‘sticker shock’ increases, which are truly upsetting to consumers.”

### FIGHTING FRAUD

Rule changes at the regulatory level would be complemented by statutory changes that would let companies cancel policies if underwriting fraud is discovered. Drivers who do this would be sent to the residual market, NJ-PAIP, and charged higher rates.



## CALLS FOR MORE COMPETITION, CONSUMER PROTECTIONS

“Those who lie on their applications should not be able to go do the same thing at another company,” Commissioner Bakke said. “If dishonest drivers pay more, honest drivers will ultimately pay less.”

### PUTTING DOWNWARD PRESSURE ON RATES FOR GOOD DRIVERS

Drivers with five points would be placed in a carrier’s substandard tier, rather than the current seven. This would result in a modest savings for the vast majority of New Jersey drivers who have four points or fewer.

### REDUCING THE RANKS OF UNINSURED MOTORISTS

The Governor has proposed a means-tested “Dollar a Day” policy for the most impoverished drivers. It would cover emergency room care, catastrophic care and provide a \$10,000 death benefit.

Commissions for this policy would be packaged in a way that would not create more work for less money, which has been a complaint about the Basic Policy created in 1998. The Department is exploring some innovative distribution systems for this policy that would ensure its availability in the areas of the state with the greatest need.

### CHANGING THE AUTO INSURANCE SHOPPING EXPERIENCE

New consumer protection measures would create a more educated consumer who would arrive at an insurance office better educated about his or her choices. The Department has put a proposed auto insurance shopping guide on its Web site, [www.njdobi.org](http://www.njdobi.org), and invites comments from agents and industry leaders. The final guide will replace the current document that is required to be mailed to consumers.

*“We must ensure industry responsibility, basic consumer protections, and stop the policies that force good drivers to subsidize bad drivers and the uninsured. We will create more choices to push down rates, empower consumers with more information, and demand more accountability from both drivers and insurance companies.”*



McGreevey  
January 14, 2003  
State of the State  
Address

Commissioner Bakke’s meetings with consumers provided valuable input for these parts of the proposal. “It was clear from our meetings with drivers that most of them had no idea what they were buying when they purchased auto insurance,” she said. “Consumers need better information. They need to understand what it means when they limit their right to sue. They should know that they have the option of using their health plan as their primary source of medical coverage. Too many drivers we met didn’t understand these things.”

Commissioner Bakke’s goal is to create a more user-friendly Auto Shopping Guide that makes consumers aware how their choices on medical coverage, the right to sue, and liability limits affect the price they pay. Agents and companies would need to show a driver three coverage “scenarios” and how those scenarios would affect premiums. DOBI’s goal is to better match coverage to the individual circumstances of the customer, with far fewer coverage choices resulting from a statutory default.

Future plans include the development of auto insurance shopping software that would assist the consumer prior to his or her arrival at an insurance office.

“We need a more competitive marketplace, and we need reform quickly,” Commissioner Bakke. “Drivers with good records shouldn’t have to spend weeks or months shopping for auto insurance.”



**O**n March 3, the New Jersey Real Estate Commission, New Jersey Automobile Full Insurance Underwriting Association and the Market Transition Facility/JUA moved to their new offices at 240 West State Street. Getting settled in their new workspaces were:



**Dawn Rafferty**, Executive Director  
of the Real Estate Commission



**Marianne Gallina**, REC



**Glen Flores**, REC



**Linda Pica Carucci**, REC



**Rita Webber**, MTF/JUA



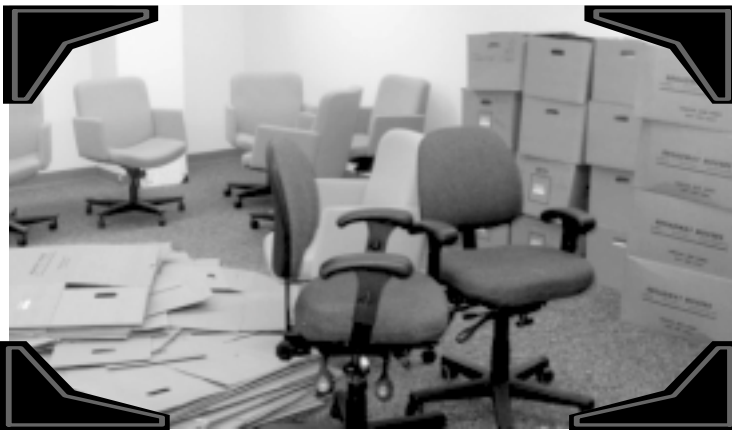
**Iris Ramos**, REC



**Carmen Collazo, REC**



**Kevin Dorsey,  
Controller of the MTF/JUA**



Boxes and chairs fill a conference room at the new offices of the New Jersey Real Estate Commission, NJAFIUA and MTF.



**Nancy Burawski, REC**



**Lori Marazzo Clark, REC, and  
Craig Mitchell, REC**



**Japonica Harvey, REC**

A ribbon cutting ceremony to celebrate the expansion of the Department of Banking and Insurance took place April 8.

### A MESSAGE FROM COMMISSIONER HOLLY C. BAKKE



**Bakke**

Spring 2003 will be a busy time for the Division of Banking, as Director Rob Tillman and division staff move forward with several initiatives designed to give consumers more information, choices, and protection:

- Financing of certain credit insurance premiums or debt cancellation agreements
- Recommending or encouraging defaults on existing mortgage loans
- Charging a late payment fee in excess of 5 percent of the amount of the payment due
- Acceleration of the indebtedness at the creditor's sole discretion
- Charging a fee for information concerning a borrower's payoff balance.

#### PREDATORY LENDING

Governor James E. McGreevey is poised to sign landmark legislation, the New Jersey Home Ownership Security Act, to combat predatory lending. Members of the financial services community worked with the Administration to ensure that New Jersey's efforts to protect our most vulnerable citizens from unscrupulous practices will be in line with national standards. Also, the Administration reached out to rating agencies to ensure that most New Jersey loans will remain eligible for resale in the secondary market.

The act will prohibit certain practices in home loans, including:

While enforcement of this new forthcoming law will fall to both the Department of Banking and Insurance and the Division of Consumer Affairs, within the Department of Law and Public Safety, the Division of Banking will have an essential role in educating both the lending industry and the public about its impact. Director Tillman is already putting new practices in place that will help consumers appreciate the importance of shopping around, both for good loan rates and for repayment schedules that best suit individual needs. Education is key, for it will ultimately produce better-informed consumers

*SEE MESSAGE, PAGE 10*

### COMMISSIONER, DIRECTOR OF BANKING ATTEND SUPERVISORS' MEETING IN D.C.

Department of Banking and Insurance Commissioner Holly C. Bakke and Director of Banking H. Robert Tillman traveled to Washington, D.C., March 26 and 27 to take part in a series of bank regulatory meetings organized by the Conference of State Bank Supervisors (CSBS).

The meetings focused on a myriad of issues currently facing the nation's banking industry, such as payday lending, predatory lending, privacy, interstate banking and federal preemption of state banking laws.

While in Washington, Commissioner Bakke and Director Tillman joined bank supervisors from other states in meetings with Federal Reserve Chairman Alan Greenspan, Federal Deposit Insurance Corporation Chairman Don Powell and Treasury Department Assistant Secretary for Financial Institutions Wayne Abernathy, among others.





## ‘TIME IS MONEY’ FOR SPECIAL INVESTIGATOR

It’s Karen Dickinson’s job to make health insurance companies follow the advice Benjamin Franklin gave to tradesmen in 1748: “Remember that time is money.”

As Special Investigator for Provider Prompt Pay Review in the Consumer Protection Services division of the Department of Banking and Insurance, Ms. Dickinson wants to make sure doctors and other providers get paid on time for their services.

And she also must remind the payers that if they allow too much time to elapse, they will be paying money not only to the providers, but also to the Department – in the form of a fine.

Ms. Dickinson’s recent hiring is the latest step by the Department and Commissioner Holly C. Bakke to bolster efforts to ensure compliance with laws, passed in 1999, that require that clean paper claims be paid within 40 days and electronic claims paid within 30 days.

The Department regularly monitors compliance through Market Conduct Exams, and in November fined CIGNA HealthCare \$200,000 for excessive claims-payment delays. This also comes on the heels of class action lawsuits filed against HMOs by doctors for alleged failure to pay claims in a timely manner.

“Ultimately, we need to make certain that the interests of the



**Dickinson**

consumer are protected,” Ms. Dickinson said. “Effective auditing processes, timely, accurate claims payments and the swift resolution of disputes between carriers and providers related to payment of claims are key elements to ensuring that.”

“I’m looking forward to providing the Department with a systematic way to respond to the complaints from physicians and providers that the law is not being adequately enforced,” she said. “I also look forward to working with the New Jersey Medical Society, the New Jersey Hospital Association, the New Jersey Association of Health Plans, providers and carriers doing business for New Jersey consumers to ensure compliance of the prompt pay regulations.”

Although Ms. Dickinson must be strident in her determination to make payers adhere to the regulations, she also makes an effort to resolve disputes in a collaborative, non-adversarial manner.

That’s because she had a lot of experience working with regulators before becoming one.

Before coming to the Department from Mellon HR Solutions, where she was Director of Quality Management, Ms. Dickinson spent much of her professional career in high-level compliance positions at

HIP Health Plan of New York and HIP Health Plan of New Jersey.

“I have more than 10 years of experience in health care operations; specifically in regulatory compliance, complaint resolution and operational quality management,” Ms. Dickinson said. “For most of my professional career, I have worked for health plans and closely with state regulatory agencies as a problem solver on the front line in Member Services and Claims and know of both system problems that may exist within health plans and accuracy problems by providers.”

Ms. Dickinson said she thinks her previous experience will better enable her to meet the challenge of addressing providers’ concerns about the timeliness of payments while also exploring all resolution options and the root causes of any problems.

“We will be looking for ways to identify these root causes for carriers and providers as well as tracking the noncompliance of both providers in accurately filing claims and the carriers where they may have systematic problems,” she said.

Ms. Dickinson, who lives in Burlington City, received a Master’s degree with distinction in Human Services Administration and a Certificate in Advanced Governmental Administration from Rider University in 1998. She received a Bachelor’s of Arts in English from Trenton State College in 1990.



### JUST FOR PRODUCERS

#### Checking on the Status of a License Application

The New Jersey Department of Banking and Insurance is in the process of transferring to a Web-based licensing system being developed by the National Association of Insurance Commissioners. The NAIC's State Based Systems will allow producers to renew or apply for a license, submit a change of address or check the status of a license application online.

While the Department is currently using the new system for internal purposes, it is not yet available to producers on the DOBI Web site (however, license forms may still be downloaded from the site). In regards to an increase in telephone call volume concerning licenses, the Department would encourage all producers to consider the following information before calling to check on the status of an application.

#### It's been a few weeks since I submitted my license application. Why haven't I received it?

There could be several reasons why a license has not yet been issued. On average, the Department would suggest that producers **wait at least 30 days** before contacting the Department about the status of a license application. If an applicant has responded "yes" to any potentially disqualifying questions, the processing time may be longer. To avoid delays, the Department suggests that applicants make sure all forms are completed and signed and include all necessary documentation.

#### My check has been cashed. Why haven't I received my license?

The first step in the application procedure is the financial processing of any fees. When State Based Systems is up and running, applicants will be able to log on to check the status of each part of the licensing process, such as verifying if any documents were not received or if payment has been accepted.

#### A Common Mistake: Adding/Changing Authority

It is **not** necessary to submit a new application when adding or changing a line of authority to a

SEE PRODUCERS, PAGE 11

### MESSAGE

CONTINUED FROM PAGE 8

who are more likely to take advantage of the many financial services and products that our banking industry provides.

### FINANCIAL LITERACY

We look forward to working with U.S. Sen. Jon Corzine, D-N.J., the banking industry, and the New Jersey Coalition for Financial Education on promoting financial literacy. As *Banking & Insurance Quarterly* goes to press, I am looking forward to participating in the First Annual Financial Literacy Summit, which will emphasize the need to reach important groups: children, at-risk adults, and members of New Jersey's growing Hispanic community.

We know that sometimes people make mistakes, even in their financial choices, whether it's running up a credit card, falling prey to a bad loan, failing to put money in savings – that can have long-term consequences that are harmful not only to the consumer but also to lending institutions. It's not in anyone's interest, for example, for a college student to accumulate so much debt that it will take more than a decade for that person to be eligible for a reasonably priced car loan or mortgage. That's what makes the partnership with the private sector so important – when consumers get into trouble due to lack of financial literacy, the lending community sees the result on the front lines.

### PAY-DAY LENDING

The Consumer Finance section of the Division of Banking sees this as an area that needs increased attention. As with predatory lending, it's an area where unscrupulous practices by a few can tarnish an entire service industry. It's also an area where those who get taken in may not have the ability or means to fight back. The Division will be working to identify New Jersey's pay-day lending "hot spots" and to improve enforcement so that consumers will be protected from unfair practices, that frequently result in unreasonable charges amounting to more than 300 percent APR's. In addition, while these loans are usually intended to allow borrowers a short-term solution to a "catch up" problem, they often are structured to prevent the borrower from ever successfully catching up.

## DIVISION OF BANKING NEWS

### CAPITAL WAIVERS GRANTED FOR NEWLY CHARTERED BANKS

During 2002 the Department received and approved 14 requests from newly chartered banks for waivers of the 10 percent capital-to-assets ratio requirement that was contained in their original charter approval. Waivers are granted if the institution is found to be operating in a safe and sound manner, if the Business Plan of the bank indicates that the reduction of the capital requirement will provide overall benefit to the bank and if the bank has a fully funded reserve. The Department believes that these waivers will have the effect of encouraging the growth of a startup depository.

### STATE CREDIT UNION, CREDIT UNION OF NEW JERSEY MERGE

On December 1, 2002, the State Credit Union (with assets of \$32 million) merged with the Credit Union of New Jersey (with assets of \$115 million). Following the merger, the Credit Union of New Jersey is the largest state-chartered credit union in the state, with assets of approximately \$147 million. The credit union serves predominately state employees.

#### NJBA PRESIDENT RETIRES



**Griffith**

On April 1, New Jersey Bankers Association President Alfred H. Griffith retired after 25 years of service. He plans to split his time between Maine and Florida.

### PROVIDENT CONVERTS TO STOCK SAVINGS BANK

The Provident Bank, the oldest New Jersey chartered savings bank, completed its plan of conversion from a mutual savings bank to a stock savings bank and the formation of a stock savings bank holding company to be known as Provident Financial Services, Inc. As a result, in excess of 59,000,000 shares of Provident Financial Services, Inc. were issued at \$10 per share. Provident was founded in 1839 and is headquartered in Jersey City. Provident has 50 branches throughout northern and central New Jersey. On November 8, 2002, the Department approved the plan of conversion, determining that the conditions were fair and reasonable.

### MONEY SMART PROGRAM ADDED TO DOBI EDUCATION

The Department of Banking and Insurance recently added financial literacy features to its educational program by incorporating the Money Smart Program developed by the Federal Deposit Insurance Corporation.

### CONSUMER FINANCE EXAMS RETURN MORE THAN \$1M

The Examinations Unit in the Office of Consumer Finance was responsible for borrowers receiving \$1,034,062 in refunds during 2002. The refunds were made for impermissible fees collected by New Jersey licensed lenders.

### CONSUMER SERVICES BUREAU RETURNS \$567,464

During 2002, the Consumer Services Bureau in the Office of Consumer Finance in the Division of Banking was responsible for consumers receiving \$567,464 in refunds. Most of these refunds were by New Jersey licensed lenders because of impermissible fees collected.

### PRODUCERS

*CONTINUED FROM PAGE 10*

producer license. Producers should follow the instructions on the back of their license and submit any qualifying documentation and fees, without applying for a new license.

To assist producers in this time of transition, the Department has dedicated a telephone response team to address any questions or concerns regarding the licensing procedure. The Department also encourages applicants to **wait at least 30 days** before contacting the Department about the status of a license and to make sure that applications are signed and completed. The Department is working hard to facilitate this transition to State Based Systems and appreciates your patience.

## INSURANCE

### COMPANY FINES

**American Progressive Life and Health Insurance Company** — \$750 for failing to submit prompt pay reports in a timely manner.

**First Community Insurance Company** — \$500 for failing to promptly return unearned premium due, owing to a bail bond purchaser and the untimely satisfaction of a judgment entered on a Forfeiture of Recognizance.

**Guaranteed Trust Life Insurance Company** — \$15,000 for discontinuing to offer Medicare Supplement policies to New Jersey residents without any prior notification to the Commissioner.

**Health Net of New Jersey, Inc.** — \$60,000 for issuing contracts to two employer groups on forms which had not been filed with the Commissioner; for issuing and delivering the two group contracts subsequent to November 29, 2001, but failing to include and provide evidence of coverage for infertility benefits required to be provided in contracts issued or delivered on or after November 29, 2001; and for using an outdated Prevailing Healthcare Charges System profile to pay certain claims in the small employer market from July 1, 2002, through October 27, 2002.

### PRODUCER FINES

**James Apostolico, Livingston** — \$1,000 for failing to comply with the Department's life insurance replacement regulation.

**Susanne L. Diamond, Newark** — \$1,000 for failing to register a trade name with the Department.

**Barry Gimelstob, Roseland** — \$1,000 for failing to comply with the Department's life insurance replacement regulation.

**First Option Title, LLC, Marlton, and active officer Komilka Gill, Cherry Hill** — \$500 for charging customers during real estate title closings certain pass through charges in an amount greater than the actual cost for the services.

**Fuller & O'Brien, Inc., and active officer Thomas R. Tyrrell, Albany, NY** — \$750 for transacting the business of insurance after the insurance producer license of Tyrrell had expired and Tyrrell changing his home mailing address without proper notification to the Commissioner.

**William M. Lynch, Jersey City** — \$500 for issuing an insufficient fund check to the Department in payment of a license renewal fee.

**National Senior Advisory Counsel, LLC, and active officer Alan E. Mott, North Brunswick** — \$25,000 for conducting seminars in New Jersey for the purpose of marketing life and health insurance products to senior citizens using various marketing materials and engaging in practices that were not in full compliance with the requirements of New Jersey law, and using the business name "National Senior Advisory Counsel," previously approved by the Commissioner, in a manner having the tendency to mislead New Jersey's insurance buying public into believing that N.S.A.C. and its affiliated licensed insurance producers engaged in business activities that did not include the solicitation, negotiation or effectuation of insurance.

**Stuart Rutenberg, Manalapan** — \$5,000 for failing to supervise the insurance-related conduct of Redwoods Group and its employees.

**Michael C. Watkins, Roselle** — \$1,000 for failing to register a trade name with the Department.



## PRODUCER LICENSE ACTIONS

**Odell R. Coleman, Philadelphia, PA** — Revocation for accepting a \$100,000 payment from a proposed annuitant and failing to remit the payment to the insurer; failing to forward the annuitant's application to the insurer; and issuing an insufficient fund check to the annuitant for the return of the payment.

**Dennis G. Kaiser, Jr., Nutley** — Revocation and \$216.65 in costs for pleading guilty to bribing a public official and failing to notify the Department within 30 days of his entry of a guilty plea to the bribery charge.

**Brian N. Roddy, Barnegat Light** — Revocation for failing to notify the Commissioner within 30 days of a criminal conviction.

## BAD ADDRESS FINES

A fine of \$250 was imposed on the following licensees for failure to notify the Department of changes in business and/or residence mailing addresses.

**Roger Paul Bodnar — Hillsborough**

**Milton Padilla, Jr. — Sanford, FL**

**Troy Shipman — Glendale, AZ**

## **REAL ESTATE**

**Rafiq Razik, salesperson, Morris County** — After a full hearing on October 8, 2002, pursuant to N.J.S.A. 45:15-19.1, the Real Estate Commission revoked Mr. Razik's license until September 30, 2006, based on his conviction for theft.

**Lourdes Adan Abreu, broker of record; Rene Abreu, broker-salesperson; and Edgardo Aguirre, salesperson, Hudson County** — After a full hearing on October 29, 2002, the Commission determined not to suspend the licenses of each of the respondents pursuant to N.J.S.A. 45:15-19.2. The Commission ordered each respondent to immediately notify the Commission of any conviction, acquittal or other resolution of the criminal charges pending against them, and imposed upon Lourdes Adan Abreu the requirement to submit monthly reports to the Commission detailing her office's real estate activities.

**Deneshia Waugh, salesperson, Gloucester County** — After a full hearing on December 3, 2002, the Commission placed Ms. Waugh's license on probation for one year, based on the conduct demonstrated by her recent criminal conviction.

**Jon Roth, broker of record, and ADDM Corp., t/a Roth's Real Estate, broker, Cape May County** — After hearings held on December 3 and 17, 2002, the Commission found that Jon Roth and Roth's Real Estate was in violation of N.J.S.A. 45:15-17(d), (e) and (o), and N.J.A.C. 11:5-6.4, by commingling and misappropriating deposit monies which they were to have held as escrow agents on real estate transactions, and by violating their fiduciary duties to their clients. The Commission further found that Jon Roth and Roth's Real Estate had violated N.J.S.A. 45:15-1 and 45:15-17(e) (incompetency), by engaging in real estate activity without being duly licensed to do so when they failed to properly renew their real estate licenses. The Commission revoked the broker licenses of Jon Roth and Roth's Real Estate for life, and imposed a \$10,000 fine. Mr. Roth will be eligible to qualify for a salesperson's license in 10 years, providing he has made full restitution and has paid all fines.

**Ray Houston, salesperson, Essex County** — On January 28, 2003, after a full hearing, the Commission found that Mr. Houston had violated N.J.S.A. 45:15-17(e), unworthiness, bad faith and dishonesty, and (n) in procuring a salesperson's license through fraud, misrepresentation and deceit when he falsely stated on his license application that he had not been convicted of any crime. The Commission revoked Mr. Houston's license for three years, or until his release from criminal probation, whichever is later, and imposed a \$1,000 fine.

**Norma Mitchell, salesperson, Camden County** — On March 11, 2003, after a full hearing at which Ms. Mitchell failed to appear, the Commission found that she had violated N.J.S.A. 45:15-17(e), unworthiness, bad faith and dishonesty, and (n) in procuring a salesperson's license through fraud, misrepresentation and deceit when she falsely stated on her license application that she had not been convicted of any crime. The Commission revoked Ms. Mitchell's license until March 31, 2008, and imposed a \$5,000 fine.

## BANKING ORDERS

LICENSEE	ORDER TYPE	REASON	ISSUED	EFFECTIVE	STATUS
Altiva Financial Corp.	Amended Final	M, K	3/12/03	3/14/03	Suspended
First Equity Home Loans	Notice of Suspension & Penalty	G	3/21/03	4/11/03	Pending
Premium Auto Sales, Inc.	Amended Final	A, P	3/12/03	3/14/03	Suspended
Real Money Inc.	Notice of Suspension & Penalty	J	3/13/03	4/03/03	Pending
San Francisco Money Transfer, Inc.	Amended Final	S	3/13/03	3/14/03	Suspended
The Molly Co. Premium Financing Corp.	Notice of Final Order	J	3/13/03	3/14/03	Suspended
United Mortgage Network	Notice of Suspension & Penalty	S	3/21/03	4/10/03	Pending
Victory Mortgage & Consultant Corp.	Notice of Suspension & Penalty	S	3/13/03	4/11/03	Pending
Apollo Mortgage Services Inc.	Notice of Suspension & Penalty	S	3/21/03	4/11/03	Pending
Omni Mortgage	Notice of Suspension & Penalty	M	3/21/03	4/11/03	Pending
Northeastern Mortgage Investment, Corp.	Notice of Suspension & Penalty	J, M	3/21/03	4/11/03	Pending
Mercury Premium Acceptance Ltd.	Notice of Suspension & Penalty	J, M, S	3/21/03	4/11/03	Pending
Marquis Financial Services, Inc.	Notice of Final	J, M	3/21/03	3/24/03	Suspended
Marc Express Transfer Corp.	Notice of Suspension & Penalty	P	3/21/03	4/11/03	Pending
Greatstone Mortgage	Notice of Suspension & Penalty	S	3/21/03	4/11/03	Pending
First Rate Home Loans, LLC	Notice of Suspension & Penalty	S	3/21/03	4/11/03	Pending
Azteca Express Exchange	Notice of Suspension & Penalty	P	3/21/03	4/11/03	Pending

## REASON CODES

**A-Failure to file 1998 annual report**  
**G-Dishonored check issued to Department**  
**J-Failure to file 1999 annual report**  
**K-Failure to pay examination bill**  
**M-Failure to file 2000 annual report**  
**P-Failure to pay penalty**  
**S-Failure to file 2001 annual report**



New Jersey  
Department  
of  
Banking and  
Insurance

## RULE ADOPTIONS

The Office of Legislative and Regulatory Affairs adopted the following rules during the period between October 1, 2002, and December 31, 2002. Copies of these rule adoptions can be viewed on the Department's Web site at <http://www.state.nj.us/dobi/adopt.htm>.

Special Rules for Effecting Coverage for Private Passenger Automobile Insurance Adopted Amendments: N.J.A.C. 11:3-44.1, 44.2 and 44.3	Effective 10/7/02
Eligible Persons Qualifications and Automobile Insurance: Eligibility Points Schedule Adopted Amendment: N.J.A.C. 11:3-34.5	Effective 10/7/02
Organized Delivery Systems Adopted New Rules: N.J.A.C. 11:22-4	Effective 10/21/02
Small Employer Health Benefits Purchasing Alliances Adopted New Rules: N.J.A.C. 11:21-9.4 and 21 Adopted Amendments: N.J.A.C. 11:21-7A, 9 and Appendix Exhibit GG	Effective 11/4/02
Licensed Lenders; Mortgage Bankers; Correspondent Mortgage Bankers; Mortgage Brokers; Secondary Lenders; Consumer Lenders; and Sales Finance Companies Readoption with Amendments: N.J.A.C. 3:15 Recodification with Amendments: N.J.A.C. 3:15-2.3 as 2.4 and 2.4 as 2.3	Effective 10/10/02 (Readoption)  Effective 11/4/02 (Recodification)
Producer Licensing Adopted Amendments: N.J.A.C. 11:17, 11:17A, 11:17B, 11:17C, 11:17-D and 11:17E	Effective 11/4/02
Depository Institutions Readoption with Amendments: N.J.A.C. 3:4	Effective 10/24/02 (Readoption) Effective 11/4/02 (Amendments)
Eligible Collateral Adopted New Rule: N.J.A.C. 3:1-4.13	Effective 11/18/02
Reporting Financial Disclosure and Excess Profits Adopted Amendments: N.J.A.C. 11:3-20.3 through 20.10 and 11:3-20 Appendix	Effective 12/2/02
Mortgage Loan Appraisal Fee Adopted Amendment: N.J.A.C. 3:1-16.2	Effective 12/16/02
License Fees Readoption with Amendments: N.J.A.C. 3:23	Effective 11/18/02 (Readoption) Effective 12/16/02 (Amendments)
Commercial Lines Insurance Readoption with Amendments: N.J.A.C. 11:13	Effective 12/12/02 (Readoption) Effective 1/6/03 (Amendments)

James E. McGreevey, Governor  
Holly C. Bakke, Commissioner  
New Jersey Department of Banking and Insurance  
Banking and Insurance Quarterly  
Office of Public Affairs  
PO Box 325  
Trenton, NJ 08625-0325



PRESORTED STANDARD  
US POSTAGE PAID  
TRENTON, NJ  
PERMIT 21

## NEW JERSEY TO HOST INSURANCE COMMISSIONERS' CONFERENCE

This spring, the New Jersey Department of Banking and Insurance will host the National Association of Insurance Commissioners Northeast Zone Conference, May 7 – 9, 2003. This conference will be attended by regulators from the 12 states that make up the northeast zone, industry

leaders and legislators from New Jersey as well. From Maine to Washington, D.C., these state regulators will convene in historic Princeton to discuss resolutions to some of the nation's and New Jersey's hottest topics.

Commissioner Holly C. Bakke's agenda for this conference will focus on priority areas such as medical malpractice coverage, perspectives on mold coverage and implementing an enhanced approach to solvency regulations. This type of collaboration among the insurance regulators promotes a strengthening of the national system of state-based regulation. The objective is to walk away with increased knowledge that will yield results in managing these problems on a state level.

### CONTACT US

#### NEW JERSEY DEPARTMENT OF BANKING AND INSURANCE

OFFICE OF PUBLIC AFFAIRS  
PO Box 325  
TRENTON, NJ 08625-0325

VOICE: (609) 292-5064  
FAX: (609) 292-5571  
E-MAIL: [njbic@dobi.state.nj.us](mailto:njbic@dobi.state.nj.us)

NEWSLETTER STAFF:  
MARY K. CAFFREY, ASSISTANT COMMISSIONER  
LUCY SILVESTRE, EDITOR & DESKTOP PUBLISHER  
GREGORY PULITI, PRODUCTION ASSISTANT